

# **Washington State Department of Retirement Systems**

**Funds of the State of Washington**

## **Comprehensive Annual Financial Report**

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**For the Fiscal Year Ended June 30, 2004**

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Prepared by the Washington State Department of Retirement Systems

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## **Department of Retirement Systems**

### **Guiding Principles**

*1*

*We will treat our customers and each other with respect, fairness, honesty, and consistency.*

*2*

*We will communicate openly and considerately.*

*3*

*We will foster a climate in which innovation, initiative, and accountability are expected and supported.*

*4*

*We will work with our customers to improve our responsiveness in meeting their needs.*

*5*

*We will maximize the use of technology and emphasize user-friendly interface.*

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# Introductory Section





## Message from the Director

I am pleased to present you with the 2004 Washington State Department of Retirement Systems (DRS) Comprehensive Annual Financial Report.

Our mission is to administer, with the highest degree of integrity, efficiency and fiscal responsibility, the retirement plans of those who devote a career to public service. Our members tell us, time and again, how much they value the guarantee of a defined benefit at retirement and the ease of working with DRS. We, in turn, appreciate the opportunity to provide knowledgeable, responsive and personalized service throughout the many phases of a member's life.

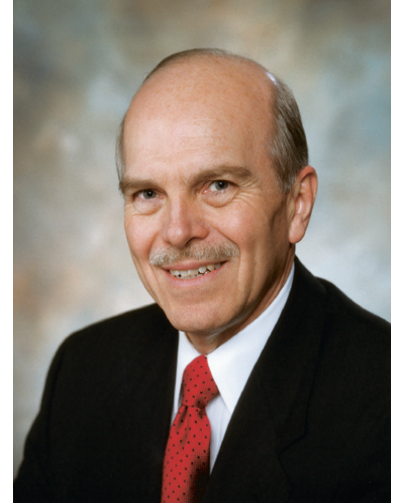
Fulfilling our mission guides us in all we do, including planning and developing new services. In 2004 we launched online account access, giving members the ability to securely view their account information via the Internet. The new service met with immediate success. Our members are now able to access retirement planning data at any time of the day or night.

We continued to offer time and money-saving electronic services for the nearly 1,300 employers that report information to DRS. And an external study confirmed our pension administration to be one of the most cost-effective and efficient in the nation. It is a distinction we are proud to consistently earn.

Perhaps most importantly, our customer service remains exceptional, as evaluated this year by those whose opinion we value most – our customers.

If you have questions about this report or would like to request additional information, please call us toll-free at 1-800-547-6657. In the Olympia area, dial 664-7000. You may also write us at P.O. Box 48380, Olympia, WA 98504-8380 or visit our Web site at [www.drs.wa.gov](http://www.drs.wa.gov).

Making the most of changing technology while maintaining personal service is a key part of carrying out our vision of "Delighted customers, proud staff." It is a pleasure to report that the results of fiscal year 2004 demonstrate we are making that vision a reality.



We look forward to serving our members in 2005.

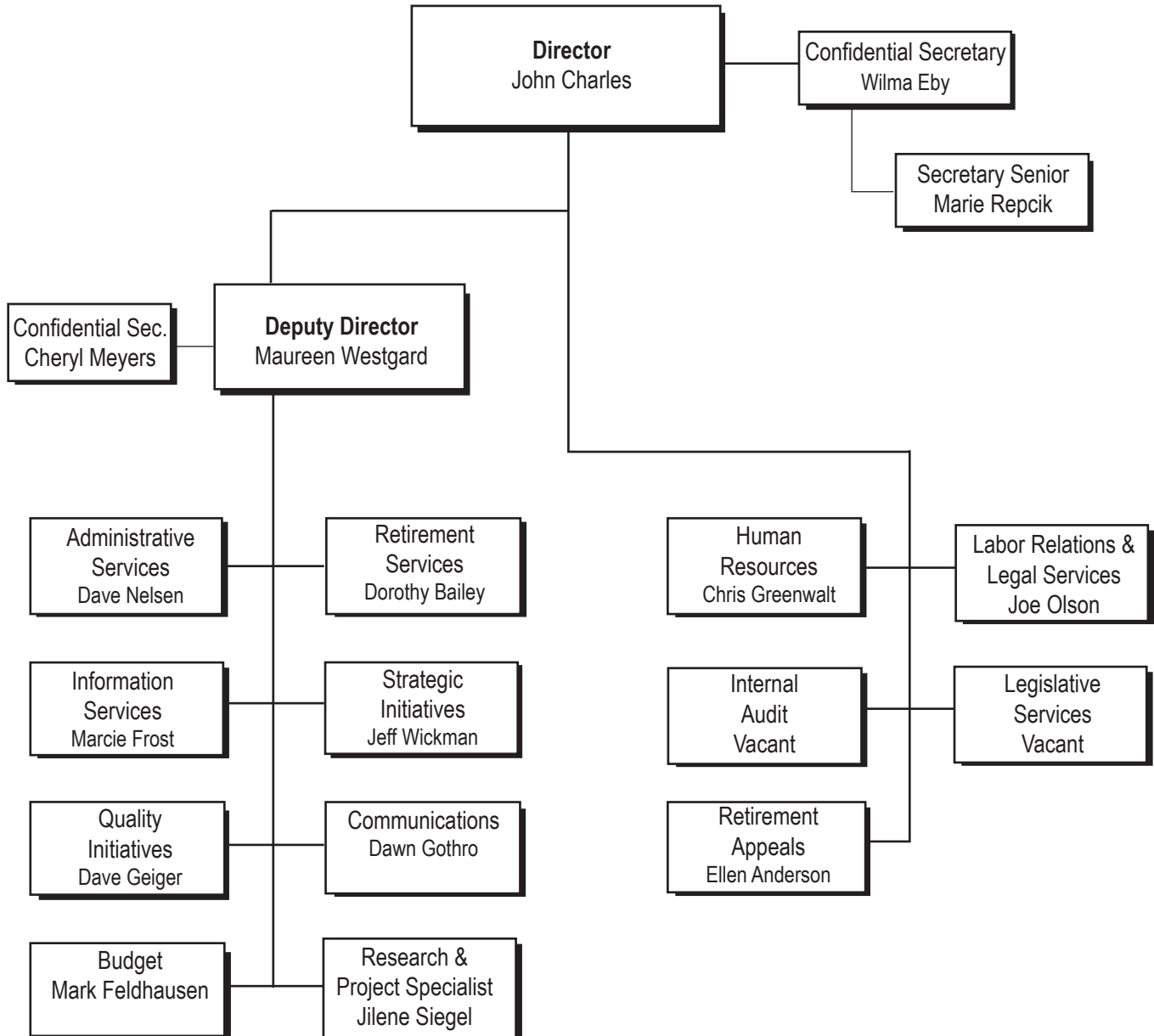
Sincerely,

A handwritten signature in black ink, appearing to read "John F. Charles". The signature is fluid and extends to the right with a long horizontal stroke.

John F. Charles  
Director

## Department of Retirement Systems' Organization

### June 2004



## Pension System Roles and Responsibilities

### **Department of Retirement Systems (DRS)**

Collects and accounts for employer and employee contributions; maintains retirement records; pays benefits; communicates pension information; provides investment education; and administers the Deferred Compensation and Dependent Care Assistance Programs.

The governor appoints the director of DRS.

P.O. Box 48380, Olympia, WA 98504-8380

Telephone: (360) 664-7000, in Olympia, or toll-free at 1-800-547-6657

Web site: [www.drs.wa.gov](http://www.drs.wa.gov)

### **Legislative Fiscal Committees**

Review and report on retirement bills to the full Legislature.

The legislative fiscal committees are the House Appropriations Committee and the Senate Ways and Means Committee.

House Appropriations Committee

P.O. Box 40600, Olympia, WA 98504-0600

Telephone: (360) 786-7573 or toll-free 1-800-562-6000

(Legislative Hotline)

Web site: [www.leg.wa.gov](http://www.leg.wa.gov)

Senate Ways and Means Committee

P.O. Box 40482, Olympia, WA 98504-0482

Telephone: (360) 786-7715 or toll-free 1-800-562-6000

(Legislative Hotline)

Web site: [www.leg.wa.gov](http://www.leg.wa.gov)

## Select Committee On Pension Policy

Studies pension issues and retirement finances. Develops pension policies and recommends pension legislation.

The Select Committee on Pension Policy is composed of four members of the Senate, four members of the House of Representatives, four representatives of active state retirement system members, two representatives of retired members, four employer representatives and the directors of the Office of Financial Management and the Department of Retirement Systems.

### Committee Membership

(June 30, 2004)

Representative Gary Alexander	Leland Goeke - TRS and SERS Employers
Elaine Banks - TRS Retirees	Bob Keller - PERS Active
Marty Brown - Director, Office of Financial Management	Corky Mattingly - PERS Employers
Senator Don Carlson	Doug Miller - PERS Employers
John Charles - Director, Department of Retirement Systems	Glenn Olson - PERS Employers
Representative Steve Conway (Vice Chair)	Diane Rae - TRS Active
Representative Larry Crouse	Senator Debbie Regala
Richard Ford - PERS Retirees	Pat Thompson - PERS Active
Senator Karen Fraser	David Westberg - SERS Active
Representative Bill Fromhold	Senator Shirley Winsley (Chair)

P.O. Box 40914, Olympia, WA 98504-0914  
Telephone: (360) 753-9144

## Pension Funding Council

Adopts economic assumptions for pension funding and member and employer pension contribution rates for PERS, SERS, TRS, LEOFF Plan 1 and WSPRS.

Membership consists of the directors of DRS and Office of Financial Management, and the Chairs and Ranking Minority Members of the Senate Ways and Means Committee and House Appropriations Committee.

### Council Membership

John Charles—Director, Department of Retirement Systems, Chairperson  
Marty Brown—Director, Office of Financial Management  
Senator Joseph Zarelli—Chair, Ways and Means Committee  
Senator Margarita Prentice—Ranking minority member, Ways and Means Committee  
Representative Barry Sehlin—Ranking minority member, Appropriations Committee  
Representative Helen Sommers—Chair, Appropriations Committee

Can be contacted through DRS. See information on preceding page.

## Office of Financial Management

Advises the governor on pension and funding policies and issues.

The governor appoints the director of OFM.

P. O. Box 43113, Olympia, WA 98504-3113

Telephone: (360) 902-0555

Web site: [www.ofm.wa.gov](http://www.ofm.wa.gov)

## Washington State Investment Board

Invests and accounts for pension funds. The Board consists of nine voting members.

Membership consists of the director of DRS; the state treasurer; the director of Department of Labor and Industries; a state senator; a state representative; an active member of PERS, SERS, LEOFF and TRS; and a retired member of one of the seven systems.

### Board Members (Voting Members, June 30, 2004)

Deborah Brookman  
Representative of PERS

Michael J. Murphy  
State Treasurer

John F. Charles  
Director, Department of Retirement Systems

David Scott  
Representative of TRS

Glenn Gorton  
Representative of SERS

Representative Helen Sommers

George Masten (Chair)  
Representative of Retired Members

Paul Trause  
Director, Department of Labor and Industries

Patrick McElligott (Vice Chair)  
Representative of LEOFF

Senator Joseph Zarelli

### Board Members (Nonvoting Members, June 30, 2004)

Jeffrey Hanna  
Investment Professional

John Magnuson  
Investment Professional

Jeffrey Seely  
Investment Professional

Charles A. Kaminski  
Investment Professional

Robert S. Nakahara  
Investment Professional

P.O. Box 40916, Olympia, WA 98504-0916

Telephone: (360) 956-4600

Web site: [www.sib.wa.gov](http://www.sib.wa.gov)

### **Office of the State Actuary**

Acts as an advisory agency to the legislature and director of DRS. Performs actuarial studies and reports on retirement bills. Creates formulas used to compute benefit payment adjustments that are based on early retirement, cost-of-living or long-term survivor benefits.

The State Actuary is appointed by the Select Committee on Pension Policy.

P.O. Box 40914, Olympia, WA 98504-0914

Telephone: (360) 753-9144

### **Employee Retirement Benefits Board**

Provides recommendations to the Washington State Investment Board on self-directed investment options for defined contribution plans; determines the payment options available for Plan 3 members; approves administrative charges assessed to members who participate in self-directed investment options; and provides recommendations on investment options for the Deferred Compensation Program. Board members are appointed by the governor. As of June 30, 2004, the board members were:

#### **Board Chairperson**

- John F. Charles—Director, Department of Retirement Systems

#### **Representing experience in defined contribution plan administration:**

- Kathy Pine—Director of Client Services, Russell Investment Group
- Al Symington (Vice-Chair)—Retired

#### **Representing Public Employees' Retirement System members:**

- Claude Burfett—DSHS/Fircrest School
- Dr. Robert Lenigan—Psychologist/Program Coordinator,  
Western State Hospital
- Gene Otis—Retired

#### **Representing Teachers' Retirement System members:**

- Nancy Baldwin—Retired
- Dr. Alison Olzendam—Washington State University
- Herbert Sargo—Science Teacher, Burlington-Edison School District

#### **Representing School Employees' Retirement System members:**

- Virginia Drummond—Personnel Report Technician, Tacoma School District
- Marian Harrison—Retired
- Judi Owens—Head Secretary Maintenance Department, Central Valley School District

#### **Representing Deferred Compensation Program Participants:**

- Kathy Whitlock—Retired

Can be contacted through DRS. See information on page 11.

### DRS Advisory Committee

Serves in an advisory role to the director of DRS on retirement administrative issues. Advisory Committee membership is distributed in the following manner:

The committee consists of 12 members representing active and retired members of the retirement systems administered by DRS.

#### Committee Membership (June 30, 2004)

##### PERS

Marian Harrison  
Retired

Christopher Melly  
Active

John I. Payne  
Active

Mary L. Sherman  
Active

##### LEOFF

Dick Hybak  
Active  
(law enforcement officer)

Patrick McElligott  
Active  
(fire fighter)

Richard Warbrouck  
Retired

##### TRS

Nancy Baldwin  
Retired

Todd Beese  
Active  
(teacher)

Darrell Heisler  
Active  
(administrator)

##### WSPRS

Captain Timothy Braniff  
Active

##### JRS

Judge Donald Haley  
Active

Can be contacted through DRS. See information on page 11.

### Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board

The LEOFF Plan 2 Retirement Board is a policy-making board with the responsibility to study pension issues, be fiduciaries of the LEOFF Plan 2 retirement plan, set contribution rates, and recommend pension policy to the Legislature solely in the interest of LEOFF Plan 2 members and beneficiaries.

Kelly Fox, Chair  
(fire fighter)

Senator Linda Evans Parlette  
(Legislator)

David Moseley  
(employer)

Jack Simington, Vice Chair  
(law enforcement officer)

Pat Hepler  
(fire fighter)

Doug Pendergrass  
(law enforcement officer)

Doug Cochran  
(employer)

Mark Johnston  
(fire fighter)

Representative Geoff Simpson  
(Legislator)

Michael Edwards  
(law enforcement officer)

Maureen Morris  
(employer)

P.O. Box 40918, Olympia, WA 98504-0918  
Telephone: (360) 586-2320  
Web site: [www.leoff.wa.gov](http://www.leoff.wa.gov)